

Analysis on toyota ihrm management essay



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Nowadays huge multi-national companies dominate the international economy, whose influence spread into every corner of the world. As Ferner (1994) points out, multinational companies have been the principal agents of the internationalization of the world. However, the diversities in different countries lead to a big problem for the international enterprise, the difficulty in HR management over other countries with original structure and policies from the headquarter. Thus, international Human Resource Management (IHRM) is the tendency in this background of globalization. IHRM has a main task to implement the cross-culture management including global integration, expatriation, global HR system adaptation, international leadership. This article aims to explore the practice of several important aspects of IHRM through detailed case study of Toyota Motor. After the analysis combining the IHRM theories with the realities of Toyota, some conclusions will be worked out and constructive suggestions will be issued to assist Toyota to further perfect the current HR policies and settle the problems concerned. As a typical Japanese family enterprise, it has much more meaning to study its success in HRM and research the key points in its IHRM process.

2. 0 Background of Organization

2. 1 Basic Information

Headquartered in Toyota, Aichi, Japan, Toyota Motor Corporation is well-known as a world- wide automaker. Founded in 1937, today Toyota is the biggest auto brand in Japan and employs more than 300, 000 people around the world. In 2010, Toyota became the 2nd automobile manufacturer by production. Till June. 2012, the volume of the production has reached 200

million vehicles. Toyota insists on high quality and energy saving base on the reasonable price, which promotes him successfully occupy the American market when economy downturn and energy crisis occurred. With entrance and strong growth into the Europe and America, the main auto markets in the world, Toyota is gradually accepted by the foreign consumers and win a good reputation. Keeping a good development tendency, Toyota's branches can be found in most countries of the world and the number continues to increase. The multi-lingual version official website of Toyota global shares the newest information and various facts and data with the public, transferring from Japan's Toyota into World's Toyota. And Toyota has been regarded as the typical model of lean "lean production", which was first introduced in *The Machine that Changed the World* (Womack et al., 1991), referring the a new way of manufacturing enterprise focusing on eliminating waste in every aspect.

2. 2 About IHRM

To some extent, Toyota represents the typical style of Japanese: intelligent, hardworking, team player, careful but conservative, stubborn. Compared with other western auto companies, Toyota reveals a distinctive Asian speciality. In order to take root in overseas market, Toyota integrates his own ideologies with the local cultures positively. Integration is an important task for Toyota in order to create an appropriate HR environment for the local employees in order to maximize both the individual and organizational performance. Of course, some culture and traditional conflicts like American direct personality, Chinese anti-Japan emotion are what Toyota has to handle with.

Expatriation is routine content for the multinational companies like Toyota. Usually, headquarter will send Japanese senior staff or technician to other companies to assisting or directly manage the local business. The Japanese-natives mode is the general mode for Toyota to operate the overseas branches, which faces with challenges originating from the misunderstanding between the expatriates and local employees, power allocation...

Recruitment and selection concerns the future development of Toyota. Toyota always focuses on this content in HRM, making a strict recruitment procedure and a set of global criteria for talents selection. The biggest challenge is how to match the core value of Toyota with the varieties of different national conditions to choose the right ones. It relates with integration but is an independent IHRM topic.

3. 0 Organization Contents

Mission: Provide the most innovative, comfortable and environment friendly product.

Vision: Create healthy, green moving style future for the mankind

Value: Focus on individual and teamwork; employee is the most precious wealth of the enterprise; Lean management; keep continuous development of the employees; always to be inclusive

Goals: Be the best auto maker in the world

Strategies: Cross-cultural operation; Global network (Management)

Innovation and green auto image; Quality is first forever (Marketing)

Individual grow with the enterprise; (employment)

4. 0 Analysis Topics of IHRM

4. 1 What is IHRM?

The concept of IHRM comes from HRM, which is regarded as a key source of sustained competitive advantage and research evidence shows that effective HRM can lead to lower employee turnover and greater productivity and corporate financial performance (Maybe et al. 1998).

IHRM belongs to the domain of HRM, serving the multinational companies. With a rapid increase in global activities and international market open in the past few years, more and more multi-national companies emerge. As Pucik (1998) mentioned, many companies competing globally are facing a multitude of new demands on their organizational structures and personnel. They realize that whether the consumers, or suppliers, distribution networks they face are all beyond their familiar home ground.

Schuler (1993) and his colleagues pointed out that a useful IHRM is human resource management issues, function and polices, and practices that result from the strategic activities of multinational enterprises that impact on the international concerns and goals of those enterprises. Besides the common function same with HRM, IHRM covers quite a lot of unique contents such as internal and external structure adaption, global coordination system, responses to the cultural difference... In this article 3 significant aspects will be emphasized.

4. 2 Integration

Integration refers to the involvement of HRM in the formulation and implementation of organizational strategies and the alignment of HRM with the strategic needs of an organization (e. g., Buyens and De Vos 1999; Schuler and Jackson 1999). As for the IHRM, the biggest challenging aspect in integration is that the global organizational performance is operated by multi-cultural workforce, compounded with different understanding, tradition and custom, which requires the multinational corporation adopt HRM by geographical dispersion. The managerial functions of HRM are realized within external national context and internal organization environment, factors from which affect the effectiveness of IHRM tremendously. The goal of integration is to coordinate a series internal (management philosophy, preferences...) external (social tradition, trade polices...) factors together to form the HRM strategies lined with organization development and enterprise core value. As for the varieties of different countries, the integration becomes an arduous task for the HR department to coordinate with every division. In addition, the research on the local culture and tradition shall be taken into the integration system, which will never appear in the single local company's HRM contents. What is leave to the HR manager to consider is how to combine the organizational concepts and goal with the specific circumstance to create the appropriate strategies.

4. 3 Expatriation

In IHRM, expatriation is always the traditional focus. Different from HRM, expatriation is a unique aspect of IHRM as enterprise shall allocate the staffing all around the world, usually including 3 main elements as PCN

(Parent Country national), HCN (Host Country national) and TCN (Third Country national) (Dana and Snejjina, 2004). Indeed, the critical issues faced by multinational corporations with regard to the employment of home, host and third country nationals to fill key positions in their headquarters and subsidiary operations (Scullion and Collings 2006, p. 3). Traditionally, PCN as the expatriates is the main focus of the research because most of the multinational companies apply this expatriation strategy. While growing in size the topic of global staffing has also expanded in scope shifting from an early focus on the topic areas of top management attitudes and staffing decisions in MNEs (Perlmutter 1969; Heenan and Perlmutter 1979; Edstrom and Galbraith 1977) and expatriate performance to a much wider range of issues where staffing issues are increasingly linked to the organizational strategy of the MNE (Taylor, Beechler and Napier 1996). The pre-training for the expatriates before going abroad, compensation for the expatriates, repatriation, and more importantly, the coordination between expatriates and local employees, etc., are all key areas for expatriation strategies. The expatriates like PCN may be the best solution for the multi-national companies to drive the overseas branches to comply with the overall objectives and policies. However, the disadvantage for PCN is also obvious, how to ease the personal worries like promotion, family reunion of the expatriates to keep a positive attitude to work for the company, how to adapt the PCN to the style of host countries for a good cooperation with the local employees...

4. 4 Recruitment and Selection

Staffing is a major strategic IHRM practice that MNEs have used to help coordinate and control their far-ranging global operations (Dowling and Schuler,

1990; Hendry, 1994) and is concerned with who is going to run the various geographically dispersed operations (Sparrow et al., 1994). Staffing can be divided into 2 main parts, recruitment and selection. Recruitment means searching for potential candidates who have the capacities to take the responsibilities of the jobs the enterprises need in quality and quantity. The function of selection is based on the recruitment to further confirm the contract staff from the potential candidates. Selection is the process of gathering information for the purposes of evaluating and deciding who should be employed in particular jobs (Dowling et al., 1994). Till now the recruitment and staffing are inseparable. Staffing in HRM of local company just operates domestically while IHRM locates the targets of the expatriates, parent country employees, host country employees, even third country employees... Besides the expatriation discussed above, the staffing on the employees in the host countries and the third countries is also a tough task for the multi-national enterprises, the core of which is match the standards with the core value of the company.

5. 0 Analysis

5. 1 Toyota Culture Influence on Integration

From the founding of Toyoda Loom Works in the 1920s to the creation of Toyota Motor Co. in the 1940s, its leaders believed that the key to success was investment in its people (Liker, 2004). Toyota advocates the trust on the employee and keeps the employees in the process of continuous development. In the meantime, team work is developed as one key competitive competency of Toyota. Under such kind of background, HR department in Toyota becomes very special as the senior management

members like manufacturing director, managing directors spend daily time working in HR. They believe when HR department share the knowledge and experience from other sectors, the HR policies can be more appropriate for the needs of the enterprise. In fact, HR department in Toyota connects tightly with other departments and is regarded in a very important position within the whole company.

This condition is a great promotion for the integration in IHRM, which provides the chance for HR managers to involve into the discussion on how to align IHRM practice and policies with the organizational objectives accurately with decision-making team members. HR staff can express their own policies suggestion from the view of cross-culture, custom, tradition, and the management may define the policy goal and requirement. This Toyota unique HR mechanism combines the local HR staff with management to create more and more effective integration policies to meet with cross-cultural demands and organizational goals.

Furthermore, driven by the ideology of respect the people and the need to open the overseas markets, Toyota tries best to adapt the regulation to be more suitable for the local internal and external environments. Toyota America retained quite a lot of American-style working system considering the Americans' personalities and customs. Toyota China mainly cooperate with Chinese state owned auto company establish up the joint-ventures as Chinese government has the intension to develop native enterprises and restrain the foreign capital and Chinese people have negative historical impression on Japan.

5. 2 PCN from Toyota

In order to solve the possible problems in expatriation, Toyota has a set of strict policies for the expatriates, especially for the PCN (parent country national). Firstly, the recruitment of the expatriates usually isn't open public. The expatriate is just selected among the current senior employees in Toyota because of the important function of the expatriates, which reflects the serious attitude of Toyota to the expatriates. The internal selection can also guarantee the deep understanding of Toyota spirits. Secondly, the position promotion will be a convention for the expatriate when he comes back and accomplishes the task successfully. Every member of the senior management of Toyota now almost has the overseas employment experience. This is a big difference from traditional Japanese enterprises who takes the expatriates out of the core management team. The promotion motivates the Japanese employees involve into the expatriation. Thirdly, Toyota encourages the expatriate together with his family members go to the host country together and supply the financial support. Toyota extends the care for the individual employee to the employee's family, winning the loyalties from the employees. As a traditional idea, Toyota obeys it and sees the family as the driving power behind every employee.

The coordination between the expatriates and the local employees confused every multinational company and Toyota strengthens every detail to deal with this problem.

Quality of the expatriates: The core requirement for the expatriate is the communication ability, including the language speaking (host nation language) and communicative skills. Only the communication can bridge the

expatriate and the local employees. To some extent, the communication is seen much important than the professional knowledge in Toyota for the expatriates.

Pre-training: As a lean management enterprise, Toyota applies reducing and eliminating waste in the aspect of HRM. Pre-training is taken as the method to eliminate the unnecessary waste from the expatriate. The training content is vast and detailed, paying attention to the local culture, tradition to prevent the potential culture conflict. In the other hand, the training for the local employees to understand Japanese style is often held, too.

Trust with each other: Trust is another core value of Toyota, which is the basic for all the work. And it is emphasized more in the overseas branches. The expatriates shall trust the local employees, authorizing part power them, no hesitating to share the facts from headquarter with them. Small group is banned in Toyota enterprise. When the trust system is established up, it is easily for the expatriates and local ones to cooperate.

Moreover, the various touch activities arrangement between expatriates and local team is defined as the routine for the expatriate, which assists him to be familiar with others quickly.

5. 3 Recruitment and Selection on HCN and TCN

Paauwe and Dewe (1995) argue that, as almost all employees at middle-management and more operative levels are usually recruited locally, there is no difference between international and domestic HRM. However, the recruitment and selection on HCN and TCN still faces with the problem of matching the value of Toyota with the varieties of every country to formulate

some common criteria. The diversity of the personality and quality of the people will greatly affect the organizational performance and achievement of the long-term goal.

Through several years' practice, Toyota set up some basic and universal standards and supportive methods for the recruitment and selection for the HCN and TCN.

Communicative: same with the staffing on the expatriates, this communication means the HCN and TCN shall have the strong intention to express and exchange own ideas with the Japanese colleague, learning the enterprise spirits of Toyota actively, representing high rank of self-initiative.

Understanding: during the process of selection, it is a must for interviewer question the interviewee about his ideas on Toyota value. Toyota holds the point of view that every work must be taken by the person who identifies the enterprise value. Like other Japanese companies, Toyota emphasizes on “*wa*” (He), which means high accordance from the leadership till the basic employees. So Toyota will not allow anyone who disagrees with the universal value concepts to enter the company whether he has the high ability.

Experience is not the most important: Toyota prefers the graduates, providing lots of chances to them because they believe that it is easily to input Toyota ideas into the fresh graduates. Relatively, it is a bit difficult for the applicants with several years' working experience to replace the old ideologies with new ones.

6.0 Findings and Conclusion

Toyota is successful in integration. Though every branch may comply with different regulation and HR policies, the auto labeled with Toyota is always the symbol of innovation, comfort and green. The unified enterprise concept has been realized via IHRM working mechanism and efforts.

With several effective measures, Toyota smoothly solves the main problems caused by expatriation. Nowadays, the global expatriates system works well with a cycle of expatriation and repatriation in order.

Instructed by the general standards, recruitment and selection circles the core value of Toyota with the changes in form and styles, attracting the more and more potential talents for Toyota.

Toyota prefers the continuous development and inclusion, building up a wonderful IHRM system to maintain its international operation. All in all, Toyota's IHRM performs quite well in the aspects of integration, staffing and expatriation. Of course, there still exist some disadvantages.

The balance between training and work: usually there is too much training in Toyota for new employees or the expatriate, which affects their normal work and let new employees lose direction.

"à'œ"(He) style: "à'œ" style applied in the recruitment or other work means one thing shall be decided after getting the confirmation from all the levels, which spend quite some timing cost. "à'œ" style sometimes hard to get the understanding in western countries, a tough task for integration.

Hiring Returnees: More and more returnees come back to their original nation to manage and lead the local enterprises. It is a tendency for all the multi-national companies to hire the people who are familiar with international working style. But returnees have little understanding of internal and external conditions, which led to the gap between the returnee manager and the local employees and the operation problems.

7. 0 Recommendation

7. 1 Individual Investment Plan:

It is greatly appreciated by the public that Toyota places the employee development in the first place. All in all, training is just the supportive program in the business of Toyota. HR department shall arrange the reasonable training time schedule that will not affect the employees' work. And it is better to focus on training one skill to the employee, avoiding the difficulty in receiving, especially for the new comers.

7. 2 Eastern and Western

"å'Œ" style is popular in the Asia area, which is the tradition for the cautious easterners. Everything shall be reported to the supervisor and wait for the confirmation. Therefore, "å'Œ" style may cause the time consuming and misunderstanding for the westerners. They focus more on the efficiency and have strong self-awareness. Toyota shall considers adapt "å'Œ" style and endow bigger autonomy for the local branches to deal with affairs by themselves in a controllable scale. In the eastern countries, it is still suitable.

7.3 Develop Local Leadership

Returnees have the advantages of understanding Toyota working style but they also lack the knowledge about the local environment as they learn and work within parent countries, almost equals to the expatriate. So it is a must for IHRM in Toyota to issue the plan for developing the local leadership, selecting the appropriate local employees to become more “international” through study and practice, which will lead to better management on the local enterprise.